



THE

July, 1960

Credit Union

Noble county reorganizes
—page 1

Better Audits,
Better Growth—page 9

Bridge

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.

ON THE COVER

Children make up a large percentage of new members now coming into St. Rose Parish Credit Union, Kankakee, Illinois. The average age of new adult members, however, seems to stay about the same. (See story page 16.)



The Credit Union

Bridge

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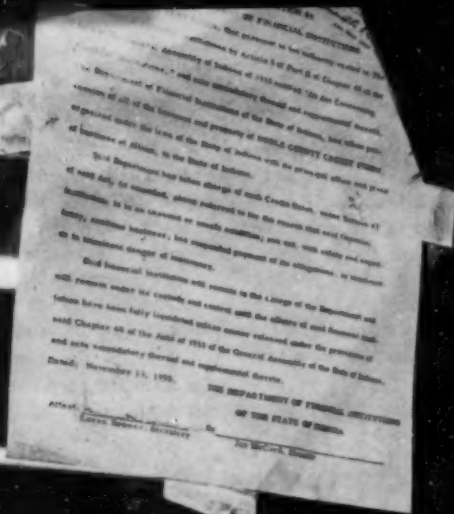
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COMING SOON

California chapter programs

The co-maker and his problems



NOBLE COUNTY CREDIT UNION

PICKING UP THE PIECES IN NOBLE COUNTY

**Recovering from the \$2,000,000
Hobbs embezzlement, the Noble
County Credit Union has
completed its reorganization**

THE doors of Noble County Credit Union in Albion, Indiana, opened again May 17 after being closed for twenty months. Members have accepted a 70 percent scaledown after

the worst embezzlement loss in credit union history (see Bridge, August 1959), but they have voted to reorganize and keep going. Noble County Circuit Court has approved the reor-

ganization plan presented by a group of members calling themselves the Shareholders Protective Committee, and a new bond has been obtained. In September 1958 the board of

directors of Noble County Credit Union got wind of odd goings on and ordered a special audit. The true assets of the credit union at that time were near \$2,800,000. When they reopened, the defalcation-ravaged group was able to claim assets of only \$1,200,000. But Noble County shareholders had been through a punishing ordeal. Revelation of the theft had struck the community like a thunderbolt. That they were able to muster the morale and unity needed for reorganization was in itself an achievement.

While Arnold G. Hobbs was manager, a total of \$2,079,004.24 disappeared from the credit union coffers. Of this amount it was later determined that \$1,480,847 was channeled to Hobbs (ironically an amateur magician) and to his various enterprises. Even more astounding than the sum involved was the fact that it had been perpetrated in such an artless, blundering fashion and had for so long gone undetected. As a result of the defalcation the credit union was declared insolvent. The group was not bonded through CUNA Insurance Services Department, nor was it affiliated with the Indiana League.

When irregularities in the books were first discovered, the board ordered a 60-day waiting period during which all business was suspended except the payment of notes. Within a week after insolvency was declared, Eugene Parker, prominent local turkey farmer and cattle raiser, was named by the state as liquidating agent. Only Parker could write checks against the credit union and only he had keys to the credit union office and the combination to the safe.

Subsequently, Hobbs, a hearty, back-slapping, ex-Sunday school superintendent, was convicted, fined \$1,000 and sentenced to 15 years in the state prison at Michigan City. In the wake of the crime's discovery, the community was in upheaval. The president of the credit union was hospitalized for shock; the credit union's attorney, Porter Crowell, himself blameless, committed suicide in despondency over his failure to detect the crime earlier. Four other persons were indicted in direct connection with the embezzlement. A director and member of the supervisory committee was sued by a depositor for "inducing" him to invest in the credit union. Hobbs' court-appointed pauper attorney brought a \$100,000 civil libel suit against county officials.

Repercussions of the Hobbs case were manifold but perhaps it was the morale of the townsfolk in Albion—Hobbs' friends and neighbors—that was hardest hit. One Noble County man may have been speaking for hundreds of others when he said, "Sure I had some money in the outfit. From now on though, buddy, I'm not a-trusting no one!"

But the depositors have pulled themselves up by their bootstraps. Two committees, one elected at a shareholders' meeting, the other self-appointed, waged a short but bitter fight to reorganize the credit union. The Shareholders Protective Committee, duly elected by Noble County shareholders, proceeded to draw up a reorganization proposal. In November, 1959, sufficient funds had been realized from the sale of Hobbs' home and two of his principal assets (total sale price: \$216,000) to warrant further steps being taken by the committee, and a shareholders' meeting was called on December 23 at the Albion High School auditorium to determine whether to reorganize. The reorganization proposal was approved by those present, 9 to 1. However, the State Department of Financial Institutions stipulated that final approval by holders of two-thirds of the total shares was necessary. Had the members decided to liquidate they would have realized only 20 cents on the dollar. Under the reorganization plan it was hoped that the old accounts would be worth at least 30 percent of their original value.

Subsequently, approval by the required two-thirds was obtained, a nine-member board of directors chosen, and the supervisory and credit committees were appointed.

The reorganization plan drawn up by the Shareholders' Protective Committee included the following stipulations:

1. Selection of a board of directors and supervisory and credit committees shall be made from among those members who have never held these positions.

2. Shares shall be reduced by 70 percent. New account books shall be issued to all members. Each creditor shall be entitled to 30 percent of his claim.

3. "... The Department of Financial Institutions shall turn over to the credit union all cash, mortgages, real estate, furniture, fixtures and equipment in its possession, such assets to

constitute the capital of the credit union with which it shall resume business, to support the reduced share balance and the reduced claims of creditors. From the assets so delivered ... the reasonable fees and expenses of the Shareholders Protective Committee and its counsel shall be paid.

4. "... the department shall turn over to the credit union all other assets ... including claims against officers, directors, employees, surety companies, and all other persons, firms or corporations. The credit union ... shall ... enforce all such claims and reduce such assets to cash, and ... shall distribute (these funds) ... to all shareholders and creditors on a pro rata basis.

5. "Prior to the effective date of the plan, the (state's) special representative (Eugene Parker) shall pay all costs incurred in the liquidation of the credit union ... since the date the department took possession....

6. "For a period of three years from the effective date of the plan, no shareholder may withdraw and no creditor demand or receive, in any twelve month period, in excess of 5 percent of their reduced share balances and/or amounts due them on the books on the date of the reopening of the credit union. There shall be no restrictions or withdrawals or amounts paid in for shares after the date of reopening nor upon the payment of claims of the creditors created after the date of reopening.

7. "For a period of three years from the date of reopening, no dividends shall be paid by the credit union upon the share balances of shareholders as reflected by the books on the date of reopening. Dividends not in excess of 3½ percent per annum may, if earned, be paid upon shares purchased by members after the date of reopening.

8. "All compensation of officers, directors and employees of the Credit Union after the date of reopening, shall for a period of three years be approved in advance by the Department.

9. "Blanket faithful performance and honesty performance bond covering all employees of the credit union in the amount of \$2,000,000 in form approved by the Department of Financial Institutions of the State of Indiana, shall be in effect on the effective date of the plan.

10. Annually after the effective

(Continued on page 25)

108 MEMBERSHIP MEETINGS

"LOAN sharks and membership campaigns have significantly influenced our credit union. The loan sharks' vicious practices gave us the motive to organize. Our membership campaigns have given us vitality and strength."

Athletic June Hollis, 29, is the manager of RHP&F Company Employees Federal Credit Union in Rock Hill, South Carolina. Recalling the loan sharks' appalling effect on her fellow workers' standard of living, she says: "We'll probably never learn the full extent to which our company's employees were victimized. But we do know that more than 50 percent of our borrowers have had loan shark trouble. At present some 40 percent of our consolidation loans involve obligations to high-rate money lenders. This figure is still much too high. But it represents an improvement over two years ago."

The history of Rock Hill Credit Union testifies to the group's urgent need for credit union services. Rock Hill's membership passed the 1,100 mark after less than three months of operation. During the next two years the members increased 50 percent. Since then, a carefully planned membership campaign has brought an additional 500 membership applications.

Monthly share gains of the group have averaged more than \$12,000 since it was organized in May, 1957.

These are Rock Hill's statistics for the end of April, 1960: Members—2,375; shares — \$443,485.86; outstanding loans — \$429,860.87; and total assets—\$456,383.11.

What are the reasons for Rock Hill's growth? President Alexander Wolfe believes that a combination of interests and efforts share major responsibility for the group's success: rapid word-of-mouth communication among the employees, wholehearted management support, intensive membership campaigns and sincere interest among the directors, committeemen and staff.

"But much credit is also due to federal examiner James F. Huggins who organized our credit union," president Wolfe points out. "Jim Huggins has given unstintingly of his private time during these past three years. It is thanks to his constant interest and helpfulness that we were able to overcome a severe case of growing pains, improve our services and establish office procedures which meet our needs."

Rock Hill's field of membership includes the 4,000 employees of Rock Hill Printing & Finishing Company

**helped to bring
this credit union
to the attention
of a group who were
being heavily victimized
by loan sharks**

Personable June Hollis serves RHP&F Company Employees Federal Credit Union as manager.





and their immediate families. The company prints designs on unfinished textile materials; it is a subsidiary of M. Lowenstein & Sons, a nationwide textile distributing firm.

The employer's plant has the largest payroll in Rock Hill, South Carolina, a city of 32,000. It is located 28 miles south of Charlotte, North Carolina, and 72 miles north of Columbia, South Carolina, in the foothills of the Appalachians.

Here are some of Rock Hill's unusual operational methods and devices.

● **Membership drive.** Last March, Rock Hill conducted a plant-wide membership campaign. It obtained the company's permission to hold individual meetings with the workers of each of the thirty-six departments on all three shifts. To prepare the foremen and workers for the credit union's membership campaign, the employer's personnel department sent advance notices to all departmental foremen. These notices announced the exact time at which each of the 108 departments would meet with the credit union's staff to ask questions and apply for membership.

At the appointed hour, the foreman released the prospective members to the respective departmental office to

meet with a member of the credit union's staff. Frequently one of Rock Hill's directors was also present.

The length of the individual meetings varied considerably. Some lasted 15 minutes. Others with very large departments required as much as 45 minutes.

"It took us three weeks to conduct all of these meetings," reports Mrs. Hollis. "Usually our sessions were from 9:30 a.m. to 12 noon, 4:30 p.m. to 7 p.m. and 11:30 p.m. to 1 a.m. When we had completed this chain of meetings we were thoroughly tired. But we had netted almost 500 new membership applications. And we felt that our efforts had been amply rewarded."

To keep up with membership growth, this credit union has developed some special techniques:

● **Extra long ledger cards.** Rock Hill uses a specially designed ledger card for its machine posting. This card is 1½ inches longer than the ordinary stock ledger and holds more entries than the standard machine form. "Our members are unusually active," explains assistant treasurer Frances Fischer. "Many of them put cash funds into their share accounts in addition to weekly payroll deduction savings. This special form enables

us to put all of a year's entries on a single ledger card. Because we place our ledger card order in large quantities, the cost for the special design is only a trifle above the standard charge."

● **Ledger card filing.** Instead of filing its cards numerically or alphabetically, Rock Hill uses a departmental filing system. These departments correspond to the employer's thirty-six operating departments. Within each departmental group, Rock Hill arranges its ledger cards alphabetically.

● **Loan application filing.** Rock Hill places the members' loan applications and supporting documents immediately upon receipt into a departmental folder—unless the staff person accepting the application should feel that a special check is necessary. The departmental folders are kept in thirty-six pigeon holes located within arm's length of the counter. Each pigeon hole measures 9½ x 12 x 5 inches. The applications and documents remain in these folders until the next meeting of the credit committee.

● **Distributing loan checks.** The credit committee returns all approved loan applications to their respective



Left: Assistant treasurer Mrs. Frances Fischer is also vice president of the South Carolina Credit Union League.

Below: Manager Hollis and treasurer Earl Champion look forward to the day when Rock Hill moves from its cramped quarters in a former company guardhouse.

departmental pigeon holes. With the exception of emergency applications, the office staff issues all loan checks on Thursdays. After issuing the checks for a department, the staff removes the supporting documents and attaches each check to the respective application, new note form and paid loan note. The members' documents are then arranged alphabetically in each file and returned to the respective departmental pigeon hole.

When a member calls at the credit union office for his check, he is asked by the clerk on duty for both his department and name. The clerk then reaches for the departmental folder in the appropriate pigeon hole and in a few seconds the member signs his new loan note and receives his check as well as all cancelled earlier notes.

Says treasurer Earl Champion, "We find these multiple-service pigeon holes a very useful operational asset. They help us to systematize our work and save us time when we need it most—when the members line up ten to twenty deep in and outside of our office."

• **Disapproved loan applications.** To save possible embarrassment at the credit union counter, Rock Hill sends the member a written no-

tice if his application has not been approved. These notices are mailed immediately following the meeting of the credit committee. They are written on the member's application form and state in detail the reasons for the committee's action.

• **Office hours.** Rock Hill's sponsoring company operates around the clock. To accommodate the members assigned to each of the three shifts, the credit union begins its business day at 7 a.m. when the night shift goes home. Office hours are from 7 to 9 a.m. daily, 2 to 4:30 p.m. on Monday, Tuesday and Wednesday, and 12 to 4 p.m. on Friday. The office is closed on Thursday to enable the staff to prepare Friday's disbursement checks and bring all records up to date.

Rapid growth has brought three types of problems to Rock Hill: space, operational and services.

Space—Rock Hill's original office was in a company stock room. But its inadequacy became soon evident. And in May, 1958, Rock Hill moved into a 27 by 15 foot former guardhouse, located 50 feet from the company's main gate.

The credit union has divided this
(Continued on page 25)



HOW TO GET CREDIT

From speeches given at the third credit union Legislative Conference

A successful legislative program requires long-range planning, careful coordination and a thorough awareness of all possible opposition. This was brought out at the third legislative conference of the Credit Union National Association, held in Washington, D.C., February 7-9, 1960.

The following speech excerpts are taken from the conference report prepared by CUNA's Legal and Legislative Department. That department has also compiled a comparative digest of all federal, state, provincial and foreign credit union acts. Together, the report and digest are a ready resource for legislative committees.

"Understanding why the state legislature does what it does when it does" was the subject of a conference address by Dr. Oliver P. Williams, assistant professor of political science, Michigan State University. Dr. Williams points out that the history of a successful bill begins long before its introduction.

Dr. Williams. In looking at the legislative process three points must always be kept in mind: (1) The demands made at each legislative session are exceedingly numerous. (2) The stakes involved in many of the demands are exceedingly high. (3) The legislature can do nearly anything that a majority of its members want to do.

Often the very rules which are set up to regulate priorities of consideration are so pressed by the volume of requests that the rules themselves create chaos. In such circumstances the legislature simply lays aside its rules and does what it wants to do.

But in describing how laws are made, you must clarify what kind of a bill you are talking about. Bills (proposed laws) can be classified in two ways. First, all bills either will cost the taxpayers money through appropriations or they will not. If the proposal is going to cost money, the legislators are going to take a very active interest in the matter. However, if the bill will not cost money, most legislators will not take a personal interest in it unless they are induced to by a constituent, an associate, or a lobbyist.

Bills can be classified in one other important manner—bills on which one of the political parties has an official stand and all others. Normally the parties will take a position on money bills and steer clear of most others.

Let us introduce a hypothetical bill involving no public expenditure and attracting no partisan activity. Let us further assume that the bill is being sponsored by a credit union League with the purpose of enabling its credit unions to perform certain services for their members which have heretofore been prohibited by state law. Let us try to look at this bill as it might appear to a state legislator who is looking at it for the first time. What is he likely to ask himself and what is he likely to do?

I suggest he would ask himself the same questions that you would. Who wants it? Who doesn't want

UNION LEGISLATION

it? What will it do? As to what he would do, the answer is nothing, for there are seventy other matters with which he is already involved and for which he does not have adequate time. But eventually our legislator may have to do something if he is faced with the task of considering the bill in committee or voting on the floor. How will he decide?

Again the best insight will be gained by projecting yourself into his position. The average legislator is required to make a multitude of decisions on many subjects about which he knows no more than you or I. What would you do in such a situation? You would seek advice. This is exactly what happens in the legislature.

Each legislator, through trial and error, hook or crook, develops a set of advisors in whom he has confidence and from whom he can expect the kind of counsel he would develop for himself had he time to study the matter fully. Many of these advisors are personal friends. They are also likely to be other legislators and, very frequently, lobbyists or even news reporters. It is the object of every lobbyist to stand in just this kind of relationship with as many legislators as possible.

What about the lobbyist? How does he achieve this status of advisor to lawmakers? Probably, there are several things operative here.

In the first place, he is an expert. He knows a lot about very involved subjects pertaining to his client so he is a source of information.

In the second place, many legislators are already convinced of the cause which certain lobbyists represent. There are legislators who are predisposed to favor the cause of banks or copper mining operators. After all, some bankers and copper miners may also be legislators. These men want to vote in a manner to serve these businesses (with broad limits) so the lobbyist is a natural ally for some legislators.

Thirdly, I think that the lobbyist earns his position of confidence by working very hard at the art of his craft. I say art, because there is no formula to being a successful lobbyist. His job is to earn access to as many legislators as possible. He must know them, win their acceptance, be able to see them at the crucial moment and most of all, not alienate them.

Finally, one cannot measure the effectiveness of a

lobbyist by the number of voters he can claim to represent. I believe this is so for the simple reason that legislators are their own experts in the art of garnering votes. They make their own decisions as to whether a stand will lose votes. All legislators know that a lobbyist cannot automatically deliver votes to "punish" the legislators who fail to go along. For instance, the lobbyist for a credit union could not begin to predict how all credit union members will vote in a given election.

Every effort to pass a law should employ a well-laid strategy. Before you even introduce your bill the object is to win allies among other interests, but most important of all—*neutralize the opposition*.

Legislators like to do things for their constituents, especially when it does not cost them anything. But if your bill causes them to be beset with objections from all sides, they will likely duck the issue by simply doing nothing.

I am not an expert on banking and credit politics, but I imagine that potential opposition to most proposed measures of the credit union movement is likely to come from banks, insurance companies and loan companies. This means you are faced with a formidable array of adversaries because this trio represents a combination of some of the strongest lobbies in most states. The first job of your lobbyist is to find out the reaction of the potential opposition. He may not find out. Your objective is not to win them, but to neutralize them.

In no case assume that a bill can be slipped through unnoticed by such groups as the above named. They have a fulltime staff that does nothing but read every bill that is introduced and scrutinize it from their own point of view. Their lines of access have been developed over many years.

How about gaining allies? You are in a better position than I to know who they are.

The history of a successful bill begins long before its introduction. Its fate is often sealed before it is officially born. The beginning is in the negotiation between those who view themselves as affected. The more objections that can be overcome prior to introduction, the better the possibilities for passage will be.

But let us now introduce a bill. The common strategy at this point is to get the bill introduced by not just one, but by a number of legislators. And

if there appears a different climate of opinion in the two houses, it should be introduced in the most receptive house first. The names of the sponsors communicate to other legislators who are behind the bill. Consequently, if the credit unions could be so fortunate, it would be desirable to have among their sponsors not only persons warmly disposed towards them, but also a banker or a person known to be close to the small loan companies. This would symbolize that the measure was not controversial or "that the opposition had been indeed neutralized."

Once the bill is introduced it is assigned to a committee. The committee system is merely the legislator's response to the fact that there are so many bills to consider. Because the volume is so great, each member can do little more than attend to matters belonging to his committee. Consequently, the committees become little legislatures with special jurisdictions. It is a rare occasion when the main body of a legislative house will relieve a committee of jurisdiction over a bill once the matter has been assigned to it.

The period of committee selection is a very busy season for lobbyists in many states, for the success of their whole legislative session may be determined according to who are on certain committees. The same group of fifty legislators might produce entirely different laws if their committee assignments were changed.

While the composition of the committee membership is important, the position of committee chairman is even more important. Frequently, a committee chairman can prevail over the contrary wishes of a majority of the members of his committee.

Bills are usually assigned to committees by the presiding officer in each house. Most of the time the committee having jurisdiction is defined by rules and the chair will assign the bill according to long standing procedure. However, occasionally, discretion must be exercised because of the marginal nature of a bill. If your bill is in such a category, it is helpful if you have already established access to the ear of the presiding officer. It may be possible then to gain assignment of the bill to the committee which is more favorably disposed to your cause.

Once a bill is in committee, it is passing through the crucial stage of formal procedure. However, the fate of many bills has already been decided in advance. Even though a bill may be considered, and hearings be held on it, this may be strictly stage effects. Even when legislators know they are going to kill a bill in committee they may choose to convey the notion this action was taken only after due consideration. The fact that hearings are held only means that someone on the committee cared enough to recognize the claims of the bill's sponsors.

But the committee stage remains crucial in the bill's life. Unlike in the national legislature, in most states, once a bill is reported favorably by the com-

mittee, it must at least come up for vote on the floor of the house, provided the session does not end before the bill's turn comes up. If any member wants to kill a bill without taking a public stand he can best do it in the committee. In some states, all committee votes are secret.

Once on the floor there is a large number of parliamentary maneuvers that can be employed to obstruct passage. Instead of simply voting on the merits of a bill, legislators have developed polite forms of execution. Moving to table or to recommit a bill has all the effects of defeat without requiring complete candor from those voting. One can always defend the support of a motion to recommit by saying that further study is needed. This way the legislator avoids declaring he found the whole idea personally repugnant. Other tactics of opposition include such time-honored devices of tacking on debilitating or confusing amendments.

I would like to stress the perils which a bill must go through in order to become a law.

Restricting ourselves to the steps of formal procedure only, a bill may die: (1) by not being reported by committee; (2) by being given an unfavorable or no recommendation by committee; (in the committee of the whole by any of the following five devices), (3) by being tabled; (4) by being re-committed to the committee; (5) by having its enacting clause stricken; (6) by being riddled by amendments; (7) by outright defeat; (8, 9, 10, 11, 12) by any of the above five devices in formal session; (13) through (23) in the second house; (24) by a conference committee failing to agree; (25) and (26) by either house failing to agree to conference report; (27) by a governor's veto.

While at times intelligent and experienced parliamentary generalship is needed to steer the bill through these obstacles, in the final analysis there is no substitute for the votes.

So far in my remarks I have used the illustration of a bill which is not an official party issue. It is my guess that most of the interest of the credit union movement will be with non-party bills. However, this does not mean that the legislative success of the credit union program is unrelated to party fortunes. For example, committee chairmen and committee memberships may be more favorable under one party than another. Even if this is true, however, it would be a strategy mistake to become publicly identified with either political party.

What can rank and file members in the credit union do to influence legislation? Actually, their role may prove crucial. It depends upon the bill. If lobbying can neutralize the opposition, general support may be necessary in putting the bill over. The object is to focus attention on your bill and distinguish it from all the many others.

How should this be done? There is no set way. I

(Continued on page 21)



The three members of Hialeah Municipal Employees FCU's supervisory committee take a deep interest in their work. They are, left to right, Nancy C. Gypp, Chairman Catherine C. Gypp and Richard Burgin.

BETTER AUDITS, BETTER GROWTH

Members have greater confidence in this credit union since the supervisory committee developed its present methods. As a result, growth has picked up.

"Auditing need not be drudgery. If it's organized carefully, it can be simple. It can also be very rewarding. Our experience shows that the member's confidence in his credit union increases in proportion to the thoroughness of the audit. Members like to know that their assets are well protected. And they show their appreciation by making more and better use of their credit union's services."

Mrs. Catherine C. Gypp is supervisory committee chairman of Hialeah Municipal Employees Federal Credit

Union in Hialeah, Florida. She knows whereof she speaks. During her three years as chairman, she has introduced a new auditing system at Hialeah. The thoroughness and simplicity of this procedure have aroused widespread interest in Florida. They also have brought commendations from chapter, League and supervisory authority representatives.

The Hialeah credit union was organized in February, 1952. It serves the employees of the City of Hialeah, a town of 70,000 immediately adja-

cent to Miami, and family members. The group has an estimated membership potential of 670.

Five years after organization—at the end of 1956—Hialeah had 188 members. They owned \$36,643.26 in shares, had a loan balance of \$36,558.00 and total assets of \$40,992.20.

During the next three years Hialeah's growth rate rose sharply. By March 31, 1960, the group's shares had increased by more than 350 percent (\$167,748.61), loans and assets by more than 300 percent (\$159,088.66 and \$179,884.13, respec-



Says Hialeah's treasurer, Charles O'Shields, "I do not own this credit union, nor do I tell anyone what to do. But I make quite sure that whatever is done with credit union money is both in the members' and the credit union's interest."

tively) and members by 90 percent (360).

"Much of the credit for our improved growth since 1957 is due to Mrs. Gypp and her fellow-workers on the supervisory committee," says Charles O'Shields, Hialeah's treasurer. "The committee's initiative, inventiveness and thoroughness have put our auditing operations on a new level and helped our credit union to earn the appreciation and respect of our membership."

How does Hialeah's auditing procedure differ from that of other credit unions? Mainly in purpose and organization. It specifically seeks to make auditing more interesting, less time-consuming and more efficient. "The most efficient use of the supervisory committee's time," explains Mrs. Gypp, "requires teamwork. It also necessitates co-ordination of the committeemen's activity so that they will not waste their efforts by needlessly duplicating each other's work."

Methodical planning and systematic follow-up are the basis of Hialeah's audits. The committee's periodic activities are scheduled clearly and simply for two years in advance. This eliminates all doubts concerning what should be done at any particular point of the two-year cycle. And it provides for a continuous program in the event of the temporary disability of the chairman.

These are the five periodic activities on the committee's work schedule: monthly spotchecks; complete quarterly audits; semi-annual spotchecks; annual document audits; and bi-annual passbook verification.

● **Monthly spotchecks.** The monthly spotchecks between quarters vary in timing and extent. But they always include: (a) bank reconciliation, including signature verification (comparing the signatures on the back of each check with the respective journal voucher); (b) trial balance; (c) gross test of interest (comparing

outstanding loan balance of the month with interest received for the month. Interest must be approximately 1 percent of the outstanding loan amount); (d) note verification (including examination of all notes for properly filled in credit committee signatures, liens, titles, car liability insurance, maximum loan limit, and state documentary stamps. Notes found correct are marked with a green pencil at the bottom. This mark indicates to the committee that the document has passed its first complete examination. But notes which are found deficient are listed consecutively in duplicate, beginning with the lowest number. One copy is sent to the treasurer for corrective action. The other copy is retained in the committee's files for follow-up during the next monthly examination).

● **Complete quarterly audits.** The quarterly audit begins with the usual monthly spotcheck. This is followed by taking individual tapes of

shares and loans, counting all petty cash, and determining whether the treasurer has met his obligation to deposit all amounts in excess of \$100 within the required 24 hours. The committee then enters on its private roster of active members the names of all newly admitted and withdrawn members listed on the last three monthly reports of the treasurer. The final step is an examination of the minutes to verify the treasurer's authority to pay the bills which he reported paid during the preceding quarter.

● **Semi-annual spotchecks.** Between biennial verification of all share and loan balances, Hialeah makes a semi-annual passbook verification for all members who joined during the preceding six months.

Complete examination of all member accounts with shares of \$1,000 or more is an important part of Hialeah's semi-annual spotchecks. At the end of March, 1960, the group had forty-seven of these accounts. Reports Mrs. Gypp: "We locate the voucher for each substantial withdrawal in these accounts. To double check, we also compare the signature on each voucher with the signature on the disbursement check."

● **Annual document audit.** The annual document audit consists of a re-examination of all documents previously verified. Its purpose is to determine whether all car insurance policies are up-to-date and to detect all contractual delinquencies which may have escaped the treasurer's notice. The committee indicates each re-examination by marking the foot of the note with a color other than green.

● **Biennial passbook verification.** The committee prepares its own verification notices based on the balances for the end of the previous quarter. These notices are sealed and mailed by the committee. Attached to each notice is a return envelope addressed to the committee's attention. To save postage, Hialeah makes use of the city's inter-departmental mailing facilities.

Hialeah's audits take a maximum of 42 hours annually for each committeeman, says chairman Gypp. "Our monthly audits take approximately 3½ hours, but actually we frequently complete our scheduled assignments in two hours."

The tasks performed by each com-

mittee member vary in number, but they require approximately equal time.

First member. This member is responsible for taking the tapes of all individual share and loan ledgers. If these figures do not balance with the figures of the general ledger, they must be rechecked to make sure that the tapes are correct.

Second member. Examination of all notes and documents is the responsibility of the second member. This also includes preparation of the monthly list of deficient notes as well as the follow-up—if appropriate corrective action was not taken after the first notice to the treasurer.

Third member. The assignment of this member is to prepare the bank reconciliation, compare the vouchers with the checks, draw up a trial balance, verify the minutes for approval of bills paid, and bring the committee's current member list up-to-date.

Technical Details

Hialeah has developed six work folders to facilitate the committee's auditing operations and record keeping. The folders have hard covers and are fitted with Acco fasteners. They remain in the chairman's possession at all times.

These are the contents and purposes of Hialeah's folders:

● **Folder #1**—This folder contains an analysis of the combined work of the committee members. It is typed on a 12-column work sheet, based on the example suggested on pages 41 and 42 of the supervisory committee manual for federal credit unions. The top of each column is left blank for the date of the audit. Each item is initialed by the committee member who performs the particular auditing function. A pocket on the inside cover serves as storage space for all tapes of all audits completed during a twelve-month period. At the beginning of the next auditing year, these tapes are removed from the folder and stored elsewhere.

● **Folder #2**—The trial balances and tape totals are kept in this folder. They are typed on a 12-column analysis sheet, arranged in accordance with the sample on page 46 of the federal supervisory committee manual.

The top of each column is left blank for the date of the audit. Below the text given by the manual, Hialeah adds these two items: "Individual

share accounts" and "Individual loan accounts." These items serve to show agreement (or disagreement) with the figures of the trial balance shown above.

After completing the trial balance, the member preparing it places his initials next to the final figures. And the person who takes the tapes for the individual accounts also identifies himself by initialing the sheet.

● **Folder #3**—This folder contains the bank reconciliation. Bond or columnar paper serves as the work sheet. On the far left side of the top of the sheet Hialeah indicates:

(1) Balance in Bank	\$-----
(2) Deposit in Transit (plus)	\$-----
(3) Outstanding Checks (minus)	\$-----
(4) Balance in General Ledger	\$-----
(1+2-3)	\$-----

Items 1 plus 2, minus item 3 should equal the balance in the general ledger.

Below these four lines, a committee member lists all outstanding checks by check number and amount. Then the check amounts are added. The "Balance in General Ledger" should agree with the actual figure in the general ledger bank account.

● **Folder #4**—The purpose of this folder is to maintain a record of discrepancies. It contains Hialeah's monthly list of deficient notes which the committee keeps for follow-up purposes. Once the deficiency is removed, the member responsible for follow-up indicates this by initialing the item.

● **Folder #5**—Hialeah uses this folder to list on a 12-column analysis sheet all miscellaneous information obtained during monthly spotchecks. These items include: gross test of interest; verification of deposits within 24 hours after receipt of cash funds; list of present officers and committeemen for determining compliance with statutory loan amount limitation; and record of checking share accounts of \$1,000 and more. A special pocket at the back of the folder holds an alphabetically arranged sheet with the names of these share account holders.

● **Folder #6**—This folder contains the committee's membership list. It is arranged in numerical order on a 12-column analysis sheet. The tops of the columns are used for the date on which the verification of the members' accounts is made. Each member's returned verification notice is

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Carl A. Bowman, long a leader in California and national credit union affairs, was honored recently for his work in providing credit union service for teachers by a resolution adopted by the Los Angeles City Council. Here he shows the scroll to Clarence Murphy, managing director of the California League.



One million dollars has now been loaned to members by the Camp Pendleton Federal Credit Union, California. Here Jim Taylor, manager, hands the check to ASSgt. A. P. Tiapula which contains the millionth dollar. The credit union serves Marines, Navy and civilians.





▲ A chorale group in Chicago has just organized a credit union to serve its members. This group, which gives concerts at churches and civic affairs, owns its own clubhouse. Their credit union is called Musichorale Credit Union.

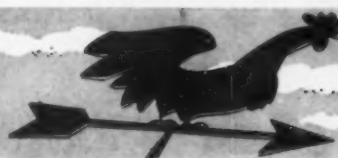
★ ★ ★ ★ ★
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 PICTURE PAGE
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◀ The cars owned by the Indiana Credit Union League carry credit union trade marks and information all over the state. Here shown with their three-car fleet are the members of the League staff: Bert J. Banicki, C. Clarkowski, William R. Warner, Frieda Elmore, Sue Whitaker, Robert W. Pogue and Pearlle Sudler. Clarkowski is managing director.

▶ How many pennies in the jar? This teaser was part of the exhibit of the U. S. Courthouse Credit Union of Nashville at the Tennessee State Fair. Visitors were invited to guess, and 85 new credit union prospects were unearthed in this way. (Actually, there are 3533 pennies in the jar. The winner guessed 3531.)



in the NEWS



Another "truth-in-lending" bill was introduced in the House by Rep. Joseph Karth (D-Minn.). This bill is identical to the one sponsored by Sen. Paul Douglas (D-Ill.) and several other legislators.

The **National Association of Managing Directors** has changed its name to **International Association of Managing Directors**. IAMD officers for the coming year are: president—V. Lamar Eaker, Tennessee; 1st vice-president—Wayne Bornemeier, Nebraska; 2nd vice president—John V. Gallagher, Arizona; secretary—Marvin Schwab, Michigan; and treasurer—S. J. Domenick, Maryland.

Robert G. Rosegrant is the new managing director of the Vermont League; **John A. Bickel** has been appointed managing director in West Virginia; he replaces **Charles H. Weschler** who retired from full-time work but will continue as a part-time fieldman . . . **Morton E. Jester** has been named as assistant managing director in Missouri; **Herbert C. Hunter** is director of field services and **Joseph F. Brueggemann** a new fieldman in Missouri . . . **Armando D. Savet** was named director of the D. C. League's technical assistance program; **F. Leonard Miles** has been appointed as field representative for the Maryland League; **Doug Bennett** heads the Ontario League's rural and community development division; **Jim Simpson** has been named a special representative for the Ontario League's central credit department; **Frank S. Gardner** has joined the Hawaii League as field representative; **Carl J. Hagen** was named to Wisconsin's state credit union review board by Governor Nelson; **Cecil E. Reid** is the new personnel director of CUNA and CUNA Supply and office manager of CUNA; **Winfield S. Buchanan** has resigned his position as CUNA Supply manager; **Melvin Brussow** and **Hubert Griffin** have been appointed acting manager and acting production manager, respectively, of CUNA Supply; **Harold Roche** was appointed director of public relations for CUNA Mutual, replacing **Thomas Murphy** who resigned; **Norman L. Moen** joined CUNA Mutual's individual accounting department as assistant manager . . . **Joseph F. Shanosky** is now director of educational services and **Michael T. Judge** director of special services of the Pennsylvania League; **Jack McLanahan** has returned to the Michigan League as director of research; **Donald J. Walsh** has joined the field staff of the Colorado League.

The **Saskatchewan League** is paying the salary of the manager of a new community credit union for two years. At the end of the two-year period, the credit union plans to reimburse the League for this salary advancement. CUNA's Organization Committee has hailed this action as a significant step in new credit union development.

Montgomery Ward Credit Corporation, a wholly owned subsidiary of Montgomery Ward & Company, is the latest entry to the U. S. consumer credit market. Furnished by its parent company with \$25 million in capital, the new credit organization will purchase a large share of the receivables of individual Montgomery Ward stores. Recent estimates show Ward's receivables to be in excess of \$300 million.

United action enabled Rhode Island's credit unions to defeat proposed legislation which would have required state chartered credit unions to pay an examination fee of \$40 a day per examiner.

More than 300 Farm Forums throughout Ontario have received credit union literature to study "Adjustment Through Farm Credit." Many forums requested additional information from the Ontario League and local credit union leaders.

Hubert Rhodes, manager of CUNA's Washington office, was voted a pension at the CUNA annual meeting in anticipation of his retirement. He was named manager emeritus of the Washington office and given a standing ovation of the CUNA directors for his tireless dedication to the credit union movement. Mr. Rhodes had requested that he be retired because of illness. Jonathan Lindley, CUNA Washington office representative, will become manager when Mr. Rhodes' retirement becomes effective.

Other annual meeting highlights: Any attempt to set up a **new world-wide organization**, composed of national and regional associations or federations **is premature at this time**, the International Credit Union Study Committee reported. The committee cited the high cost of operating such an organization and the present status of the overseas movement as the principal reasons for its conclusions. It felt the foundation for an organization of this kind would be laid by 1970 . . . CUNA's **Volunteer Organizers Contest** will be expanded to give recognition for excellence as well as quantity . . . **Filene House**

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CHECK YOUR MAILING HABITS

There are a lot of ways most credit unions use the mail, and care should be taken to get the best results at the lowest cost. Banking by mail is becoming a national habit, which most people are learning to like.

MAIL service may be used by a credit union for many purposes. For example—

- Collecting loan payments
- Collecting share payments
- Controlling delinquencies
- Tracing skips
- Reporting financial condition
- Auditing share and loan balances
- Education and advertising

Since postage is not cheap, sometimes these functions should be combined to save money. For some credit unions, with membership widely scattered, mail is extremely important. For all, it is significant. Hence study should be given to mail operations—what to mail, when to mail, what kind of forms to use, what rates to pay, and so on.

Financial organizations are rapidly

increasing their use of mail. Recently the U. S. Department of Commerce discovered that banks and credit agencies have been going deeper into this medium. During the first half of 1959, for example, 4500 banking and credit agencies had third class permits, compared with 3800 for the first half of 1958. They sent out 124,400,000 pieces of mail, an increase of 13 percent.

Among these banking and credit agencies, expenditures for third class advertising are increasing. Postage revenue on this category has doubled in a year.

For some institutions, "bank by mail" makes sense as a promotion gimmick as well as an operating procedure. Beyond that, mail advertising is particularly suited to a line of activity in which the prospects and their locations are known.

While "bank by mail" is less used by credit unions than by many other forms of savings institutions, almost every credit union uses mail to some degree in its dealings with individual members.

Many credit unions find themselves facing an increased trend toward loan and share payment by mail. This is particularly true for decentralized organizations, where it may not be convenient for members to come to the credit union office.

Where relatively small sums are involved, there is a natural temptation for members to mail cash. While there are obvious safeguards that should be encouraged, such as wrapping paper money in a non-transparent cover, under any circumstances the mailing of cash is risky. It is particularly risky if the mail is addressed

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A CLOSE LOOK AT A PARISH

Their average share account is already twice the average for parish credit unions generally, although their charter isn't five years old yet. Maybe it just proves that you shouldn't let yourself get hypnotized by averages.



IN case you have ever wondered what kind of people join a credit union first, you might take a look at this Catholic parish group in Kankakee, Illinois.

It isn't a typical credit union, perhaps, but what credit union is? At least it's fairly new—four-and-a-half years old; and it's got a stable field of membership; and it's growing far faster than most church groups do.

There are approximately 900 members in St. Rose Parish Credit Union today, and the table that accompanies this story shows what the first 100 members were like and compares them with the last 100 who had joined as of the end of April. There are not so many differences between the two groups as you might expect, but there are some.

The chief things that will strike you as you look at the table are these:

- There were more children in the group that joined recently. Adults predominated among the first 100 members.
- The age differences are insignificant. The average age of the adults in the two groups was about the same,

although in both groups the women members seem to have been a bit older than the men.

- The number of borrowers today is higher among the earlier group. There are 36 loans held by that group today, compared with 24 loans among the more recent members. The average loan, also, is higher for the earlier group.

- The average share account is naturally considerably higher among the older members. In this credit union, however, the striking thing when you look at the share accounts is the high average for the whole membership; and this is another story.

Treasurer Jerry Chaney, when asked what kind of people joined first, didn't think that age or economic needs were the main factors. There are some people who just *do* join things first, he believes; they will join everything that comes along, because they are that kind of people. St. Rose Parish Credit Union got its first 86 members signed up in one month.

How St. Rose has grown so fast—in

less than five years its typical share account has become double the national average—is another thing. This can be credited directly to an unusual group of officers. They have brought the credit union up to \$400,000 in assets since January 1956, and among the 35 credit unions in the Kankakee Valley Chapter, St. Rose now stands third.

They are something of a hand-picked group, urged to take places on the board and committees by the pastor at St. Rose, Monsignor Cousineau. Although the parish consists mostly of industrial workers, the officers are mostly professional and business men with prominent reputations in the community. They include a certified public accountant, a funeral director, a fuel dealer, a printer, a clothing store manager, an engineer, a contracting mason and one of the county's most enterprising farmers. There are three women in the group. They have taken up their credit union duties with enthusiasm.

Organization night the credit union got off to a flying start with over \$5,000 in deposits. At the year's end,

Most of the members at St. Rose are industrial workers and their families.

GROUP

Jerry Chaney, treasurer of St. Rose Parish Credit Union, is also an Illinois League director, was president of the church men's group which organized the credit union in 1956.

assets were well over \$90,000. Today the average share account is \$463, twice the national parish credit union average.

Tom Breier, a clothing store manager and member of the credit committee, believes that "the success of our credit union is due to the noise the board members are making. In addition to our monthly meetings we occasionally call special meetings to discuss hot ideas. If you put these ideas aside until the next regular meeting, you may lose your advantage. You have to strike while the iron is hot.

"The officers occasionally meet informally together for supper," continues Breier; "this is always a good thing for the morale of the group."

Joseph C. Gianotti, CPA, and locally referred to as "a CPA's CPA," is also a member of the credit committee. He attributes much of the credit union's success to the work of the education committee: "They have gotten across to the parishioners the facts about what facilities are available to them through the credit union.

July, 1960





Left: Many youngsters at St. Rose Seminary, across the alley from the credit union office, have become shareholders.

Right: Ray Senosac, Kankakee funeral director and president of the credit union, is typical of the successful businessmen who today provide leadership on the board and committees.



But the entire group of directors and committeemen is an active and an energetic one, and they all seem to put the monthly meeting at the head of their list. It isn't any rubber stamp deal."

Alice Kelly, secretary for the Lehigh Stone Company, is also secretary of the credit union. She observes, "We have such a dynamic group of officers—much of our success, I think, can be attributed to this; and then in the early stages of our growth we got considerable support from the pulpit and also through the church publications."

Jerry Chaney, St. Rose's energetic and personable treasurer, contends that "the strong interest on the part of each officer has been the big factor.

We always have at least 13 of the 15 officers present at our meetings. They are all full-time credit union people—out selling the credit union along with their own line of work."

Says Ed Worby, Illinois Credit Union League field man, "The St. Rose board is a stellar example of wholehearted, efficient teamwork. No one board member, in my estimation, could be singled out as particularly responsible for its success."

In the Kankakee area, a predominantly French Catholic community, six other Catholic parish credit unions have been chartered since the organization of St. Rose early in 1956. The largest parish in Kankakee, however, still has no credit union, apparently because its membership

includes several officers of commercial loan companies. The single Protestant credit union in the chapter recently failed, primarily because of leadership difficulties. The St. Rose executive officers, themselves, provide a nucleus of leadership in the chapter. Ray Nourie, St. Rose vice president, is president of the chapter. Treasurer Chaney is president of the Kankakee Chapter Credit Union, past president of the Kankakee Valley Chapter, and an Illinois League director.

St. Rose did not acquire the full-time services of its treasurer-manager until December 1, 1959, when it reached the \$300,000 level. But even then the full-time arrangement was set up on a six-month trial basis. Eight hours a week, Clyde Rabideau, vice president, works as bookkeeper for the credit union.

Convenient office

St. Rose now has comfortable, recently-remodeled quarters in the basement of the church and is open every day except Tuesday from 10 to 12 and from 2 to 6. The convenience of these hours, believes Chaney, has also been important in getting new members. He estimates \$40,000 of the first four months' growth in 1960 came from the transfer of deposits from local

banks and other savings institutions. Another important factor in recent membership growth, says St. Rose's treasurer, is *Umbrella*, the CUNA Supply Cooperative publication, which is sent out to all St. Rose parishioners. The blank side of *Umbrella* is used for St. Rose advertising.

The interest rate at St. Rose on loans up to \$1,000 is one percent, and one-half of one percent for amounts over \$1,000, as required by Illinois law. Five thousand dollars is the loan limit, and currently about a dozen loans in the \$4,000-\$5,000 category are outstanding. Only four loans in all categories are delinquent. A 4 percent dividend was declared December 31, 1959.

Children join

For newborn babies in this 1500-family parish, St. Rose waives the membership fee and sets up a \$1 share account. Thirty of the last 100 members to join have been children 17 years of age or less. Conveniently, for many of the younger members, the credit union office is directly across the alley from St. Rose Seminary, an elementary and junior high school.

Established in 1855, St. Rose is the oldest Catholic parish in the

Kankakee area—a community of 60,000. The handsome brick church itself was erected in 1874 when Kankakee was little more than a village. Today the church spire rises not far from the center of town. Like most old churches around which communities have burgeoned and spread out, St. Rose has come to serve many of the families living in the lower income districts that surround the business center. It was a group that had plenty of need for credit union facilities, and Msgr. Cousineau was acutely aware of this need when he urged the men of St. Rose Holy Name Society to further consider the advantages of a credit union.

"Today," says Fr. John George, assistant pastor at St. Rose, "the parishioners can see how the credit union has helped them to unite."

Happily, the president of the Holy Name Society, Jerry Chaney, had five years under his belt as manager of the General Foods Employees' Credit Union, also in Kankakee, and was a natural choice for the job of treasurer.

The character of St. Rose's membership, like that of any credit union, be it parish or otherwise, has changed as it has grown. The first 100 to join, according to Chaney, consisted of

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Comparing the first and last

	First 100 members (joined in '56)	Last 100 members (joined in '59-'60)
Number of adults.....	85	70
male.....	60	37
female.....	25	33
Number of children.....	15	29
Corporate members.....	0	1
Average age of group at time of joining.....	38.3 years	32.6 years
Average age, adult males.....	44.4 years	40.1 years
Average age, adult females.....	44.7 years	46.3 years
Average share account today.....	\$923.89	\$305.60
Median share account.....	731.50	20.00
Number of loans.....	36	24
Average loan balance.....	\$ 593.00	\$207.00
Median loan balance.....	1,181.00	692.00
Withdrawn or deceased.....	8	1

Average share all members, Jan. 1—\$463.07
Average loan all members since organization—\$896.68
(Adults are defined as all members over 17 years of age.)

**FROM THE
MANAGING
DIRECTOR:**



THE BANKERS WORRY ABOUT US

THERE has been stepped up activity in the American Bankers Association and state bankers associations recently indicating the concern of some bankers over the growth of the credit union movement. Articles in bankers' publications, particularly the American Banker, have reported on the activities and concerns of the bankers.

These bankers' groups feel that credit unions were brought into being to serve small groups—and with small loans, and they feel that credit unions are growing away from their original purpose as they grow larger.

**Community credit unions
were first**

Recent banker association statements indicate that the banker spokesmen feel that credit unions have no business with "community" common bonds, feeling that the original common bonds were parish or common employment. This is not correct. Both of these common bonds came after the community type. The organizations that we look to as the first credit unions in history were the Raiffeisen Societies of Germany, organized some one hundred years ago—and they were community credit unions. The "parish" credit unions established by Desjardins in Canada in 1900 were primarily "community" also, for even though

the word "parish" refers to a Church area, there in Quebec it also refers to a recognized geographic community.

**What can credit union
leaders do?**

We must all visit with our local bankers, get them to understand credit unions, and get them to speak out for the truth in meetings of bankers.

We must continue with increased effort to get the full and correct story to the public in general, certainly to all organizations and businesses within which credit unions exist or may exist in the future.

We must protect the credit union movement by giving the proper history and original purposes of it.

We must continue to make the credit unions grow—in 1) numbers of credit unions, 2) number of members in all credit unions, and 3) increased savings in and loans from all credit unions.

We must continue to oppose all legislation restrictive to credit union operations and continue to seek legislation that will better enable credit unions to serve their members.

People have the right to organize to do things for themselves. Credit union members are exercising that right. But to maintain that right requires constant vigilance. We exercise that vigilance or the credit union movement will become impotent.

IN THE NEWS

(Continued from page 14)

will be remodeled when CUNA and CUNA Supply assume full occupancy of the building this fall. Plans include a face-lifting for the rear entrance, allocation of 700 square feet for a combination credit union library and museum, vinyl wall covering on the second floor, partitioned offices and floor-recessed electrical and telephone wiring. Cost will be about \$47,000 . . . CUNA may hire a **new fieldman for the Far East** area—if funds are available . . . An **up-to-date** and revised version of the **model credit union law and bylaws** was accepted by the CUNA directors. The new model laws are the result of intensive surveys . . . **Disaffiliated credit unions** will not be allowed to continue as members of the CUNA Retirement Savings Fund.

The Illinois League board last month voted a \$1,000 donation to CUNA's World Extension program. This sum supplements the \$4,359.70 contributed earlier in the year by Illinois credit unions and individuals in response to the League's World Extension Month appeal.

Outspoken critic of credit union growth, Carl H. Bahmeier, Jr., has moved from his job as executive secretary and treasurer of the South Dakota Bankers Association to a new position as executive manager of the California Bankers Association. In reporting the job change, the American Banker said, "By the end of the summer, it is planned he (Bahmeier) will have addressed 23 state bankers' associations on the competitive threat to banking represented by the growth of credit unions." Bahmeier is a member of the American Bankers Association's Committee on Credit Unions.

Organization statistics for the 12 CUNA districts show an 8 percent increase over last year for January through April. During 1959, the number of new credit unions organized in this period was 394. This year 425 charters were issued during the first four months.

Consumer instalment credit increased during April by \$533 million after Federal Reserve seasonal adjustments. Commercial banks, sales finance companies and credit unions led in dollars gains. Consumer finance companies also reported increases. But the loan balances of retail outlets declined.

LEGISLATION

(Continued from page 8)

have several suggestions. To a group which is potentially interested in state legislation I can only advise that it do just what the lobbyist does. Don't start yelling just when you have something. Don't run down to the state capitol on the spur of the moment and in the middle of a legislative session and expect your representative to do what you want. Treat the whole thing as a long-term proposition. Start getting acquainted with your legislator early, preferably when the legislature is not in session. Invite him to a meeting. Write him letters complimenting him for any stand he has taken of which you particularly approve. Send him your newsletters or literature.

When you do have something that you want him to do for you, tell him openly, candidly and frankly what you want to accomplish . . . no threats, no emotions, no folderol. Be factual in your presentation. Remember you are the expert on credit unions and he is not.

Most legislators would like to know how widely the measure is supported by the rank and file of the sponsoring organization. On this score you have two jobs. The first is to develop internal agreement. Unless you can speak with one voice you will probably fail. You will fail because the legislator will simply refuse to act for an organization which cannot resolve internal disagreements.

Once you have achieved internal solidarity, don't hide it under a bushel. However, in any organized campaign for legislative support avoid the form letter of canned spiel. Most legislators assume that if an individual doesn't care enough to write for himself, he is only a passive victim of a pressure campaign. Therefore, he can be ignored.

It is possible to press too hard. Some legislators don't like to be pushed too much and become suspicious of too much activity. They may back off so they won't get panicked into supporting something they will regret later. If the bill you are supporting is a matter of controversy, your legislator is likely to try to compromise the issue. Understand that this is the nature of most legislation.

Above all, don't blame your representative if your plan fails and never fail to compliment him if it succeeds with his support.

Lastly, never give up. Few bills pass the first time. Most bills have to be introduced numerous times before they pass.

"How to be an effective lobbyist," is explained by Mrs. Margaret C. Schweinhaut, member of the House of Delegates, Maryland Legislature. She stresses that it is not enough for the lobbyist to be an expert on the organization which he represents. He should also

know his state thoroughly and be acquainted with as many legislators as possible.

Mrs. Schweinhaut. Lobbying, when properly conducted, is an acceptable and necessary method of providing information to a highly individualistic group of people. It is an educational process and a selling process.

An ideal lobbyist before a state legislature must first know the State thoroughly.

So the organization represented by our ideal lobbyist has a piece of legislation they want to get through or want to keep from getting through. It is, of course, convinced of the rightness of its position for itself and on behalf of the people it serves. And this may be quite true. But beware the attitude that suggests "What's good for CUNA is good for Maryland."

If I'm the legislator you're approaching, that isn't enough. I want to know wherein lies the general public welfare in this legislation. Why is it good state policy to have this legislation? With the answer to these two questions, our lobbyist now seeks a sponsor for his bill.

Having arranged to meet through a mutual friend or by personal appointment a legislator of some prestige and influence within the Assembly, our lobbyist should be aware of the unasked questions. As he explains the bill, the legislator will be thinking and considering whether this is the kind of bill he wants to be identified with. Would this identification help or hurt him in his own area? Would it in any way conflict with other legislation he's going to sponsor? Who would be apt to oppose this bill and why?

As a practical politician, it would, of course, be helpful if the person asking me to sponsor the bill just happened to live in my voting district—and more helpful still if he were known to be influential in my area. This is, of course, not imperative—merely helpful.

In searching out your sponsor you're looking for an articulate person and one who enjoys personal prestige in the Assembly. If you're fortunate enough to have someone who possesses both qualities in high measure, your job is much simpler. Lacking such a person, you may want an entire delegation to sponsor or you may want to try to get numerous sponsors. In my opinion, however, one able legislator taking personal responsibility for your particular bill is worth a dozen vaguely interested sponsors.

So, long before the session begins, you've got your man—or woman—who will sponsor the bill; he has advised you whether or not there should be other sponsors and you've been sure to ask what committee the bill will likely be referred to, once introduced.

From this point on, our ideal lobbyist will make every effort to meet the chairman of the committee, and as many members of the committee as possible in advance of the session. He will also be mapping

Planning and Conducting a Successful League Legislative Program

Highlights of Addresses by

*Keith L. Andrews, Attorney, Indiana Credit Union League and
Theodore L. Richling, Attorney, Nebraska Credit Union League*

One of the basic prerequisites of an effective legislative program is to awaken credit union people to the need for handling such a program in a well-planned, professional manner. This awakening should naturally lead to the second prerequisite—the setting aside of adequate funds to obtain the services of individuals qualified to direct the program.

These steps should then be taken within the League organization: a) the League legislative committee should recommend, and the membership and board, as the primary policymaking bodies, should determine and clearly state their wishes in the way of legislation and also set priorities; b) the legislative committee should work closely with League staff and outside assistance in carrying out the details of the program; c) each credit union should be requested to appoint a legislative committee to work closely with the League legislative committee directly and through the chapters within the League area.

The next step should be the actual drafting of legislation. This is a highly technical art and should be done by experts. The draft should, of course, be submitted to the elected officials of the League and management for review, consideration, and suggestions.

Before introduction of the legislation, consultation with and obtaining of support from governmental authorities directly involved with the administration of the legislation's subject matter is generally desirable.

Another important aspect of your legislative program should be the careful assessment and evaluation of your opposition and recognition of the necessity for combatting or neutralizing such opposition. Sometimes, a careful analysis of the facts will disclose that the interests of the credit union movement and those of the opposition are actually consistent. If this is so, the opportunity for neutralizing this opposition is, of course, enhanced.

Obtaining effective sponsorship for your legislation is always an important step. Your sponsor should have prestige and stature with his colleagues and should have the ability, experience and imagination to get your legislation through. It is desirable to select your sponsor from the committee to which your bill will be referred. Obtaining several sponsors,

if possible, representing both political parties, is often even more desirable.

Since credit union legislation will not as a rule capture the imagination of the citizenry and will generally be controversial only insofar as its opponents are concerned, it is not likely to get top priority. Therefore, the chances of getting the bill through are increased if it is introduced early in the session. The bill will then be referred to the appropriate committee and the hard work behind the scenes will begin. Long hours are essential to establish liaison—primarily with the members of the committee which will hear your bill, and also with as many other legislators as possible.

The hearing before the committee which considers your bill is of vital importance. To a large degree your success or failure will depend upon the spadework done in advance of the hearing and the manner in which your statement has been prepared for presentation. Those in charge of your over-all planning should coordinate and integrate the statements of all your representatives and only credit union people whose statements have been cleared in advance should actually speak.

If you know or suspect that there will be opposition to your bill, you should attempt to anticipate the unfriendly arguments in advance and be prepared to rebut them.

After your bill has been reported out of committee with a favorable recommendation, measures should be taken to have it brought up for floor action as soon as possible. This is the time when the unified strength of the credit union movement in your area can make itself felt. An organized, well-planned campaign should be conducted to have as many credit unions, credit union officials and credit union members as possible contact their legislators and register interest in and support of the bill. If possible, delegations should be sent to visit with at least some of the more influential legislators.

Obtaining the signature of the chief executive in your area may present a problem. Nothing should be taken for granted and every effort should be made to prevail upon him to sign the bill as soon as possible.

out his mailing program, keeping every piece short and concise; he will be seeing to it that other credit unions do not oppose the principle of the bill and if they do oppose, that the opposition is overcome before the bill gets to the committee. Nothing is more fatal to success than to fight out before a committee differing points of view within groups who logically should have the same point of view and the same goal in mind.

The Legislature goes into session and of course you're registered as a lobbyist. Don't be hanging on your sponsor's coattails and don't make his office your headquarters—unless very emphatically invited to do so. But be available. And not merely in the flesh. Have arguments and facts and figures in depth ready to give him at a moment's notice.

An effective lobbyist from my county once asked me whether I thought it wise to invite legislators

to dinner. My answer was and still is that any natural, smooth contact which gives you an opportunity to explain your bill is all right. But, in my opinion, there is no dinner grand enough to influence a vote. Realistically, it is often impossible to reach the men and women you want to talk to except perhaps through a dinner invitation. This is accepted practice; but also tacitly understood is the fact that accepting the invitation is not a commitment to support the bill.

You've requested a hearing from the committee chairman and you have your best witnesses ready to testify. If you're given 20 minutes, use only 15 and then ask for questions. Perhaps you'll be lucky and a committee member will ask the very question which will emphasize far better the point you've been trying to make. Of course I think I've observed—I hope not unfairly—that a lucky question



Discussing the recent progress of the credit union movement are, left to right: W. O. Knight, Jr., Chairman, CUNA Legal and Legislative Committee; Julius Stone, President, Credit Union National Association, Inc.; Arthur S. Fleming, Secretary of Health Education and Welfare; J. Deane Gannon, Director, Bureau of Federal Credit Unions; and H. Vance Austin, Managing Director of CUNA.

is sometimes not quite as spontaneous as it would seem to be and really represents, I've suspected, good advance planning with very little left to luck. I'm not advocating such a policy, of course.

When before the committee or in private conversation, you feel a negative attitude building up, get away from the sensitive point and beat a strategic retreat. Don't be so persistent that legislators want to duck out of sight when they see you coming.

It seems hardly necessary to say you must not be arbitrary and argumentative with committee members; that you must stress *why* the bill would be economically good for the state if you can possibly justify that argument. Anything that helps postpone the day when the legislator must vote for a tax raise, is good per se, and has very special appeal. If the bill is going to cost money on the other hand, then, of course, you're bound to stress the public interest and prove the worth of the bill from the State's point of view.

Assuming your bill gets reported out of committee and is up for debate, don't abuse the privilege of the floor by approaching your sponsor's desk. You will embarrass him and may possibly be invited out of the chamber. Just have the ammunition for him when he needs it. And he may need it in a hurry.

The debate in the House will tip you off to possible opposition in the Senate—especially from the senators representing the same area as the opposing delegates. You will, of course, give those senators some special and very deft attention before the bill reaches them. Again it is important to have one senator at least who is accepting responsibility for your bill in the upper house. Getting your bill through one house is no guarantee that it will go through the other—any more than the inherent worth of the bill guarantees its passage.

If your bill gets through both houses, it might be a good idea to pay your respects to the governor who has the power to sign or veto it. If you can't see the governor, don't panic. Talk to an assistant who has more time to listen anyway and who will probably be seeing the governor about your bill while you're fast asleep some night.

I have a personal aversion to postcard and form letter pressures. Personal letters, personally expressed, are much more appealing.

It is very effective indeed for any group if, in anticipation of forthcoming legislation affecting their organization, an opportunity was found for a good legislator to speak before a large and intelligent audience such as you gathered here today. This forces the legislator to be aware of the goals and outstanding public service being rendered by the organization. It also makes the legislator aware of that tremendously vital statistic for anyone in public life—that in Maryland, for example, over 93,000 members belong to this organization and being more specific, over 5,000 members work in Montgomery County—my voting district. The 1960 census will turn up no more vital statistics than this one for any elected official.

"How to achieve your legislative goals" is the topic presented by William F. McKenna, director-counsel, Washington Office, National Association of Mutual Savings Banks, and formerly counsel for the U. S. Senate Banking and Currency Committee. This conference participant stresses the important place of staff research in the federal legislative process and points out the need for making reliable information readily available to the legislators and their staffs.

Mr. McKenna. Good results take much more than the handshaking efforts of the stout lobbyist depicted in cartoons. As in most areas of accomplishment, well organized, and sometimes tedious, work is required.

In a democracy such as ours, reliable facts form the flesh required to convert the skeleton of a legislative idea into a living statute.

To emphasize the need for a reservoir of facts, particularly in dealing with the federal government, it is

necessary to consider the great extent to which the Congress uses its committees and staffs in the consideration of legislation. The member of Congress can draw upon the services within the Congress of (1) his own office staff, (2) the staffs of appropriate legislative committees, and (3) the staff of the office of Legislative Counsel. He can also turn to the Legislative Reference Service of the Library of Congress.

Any of these staff members may

seek information from one or more available trade associations. Most staff members are apt to call upon a trade association having a Washington, D.C., office rather than have recourse to an out-of-town group with whose office personnel they may not be familiar. That office should be judged by the congressional contact work over the years rather than by any signal success or failure on the occasion of a specific legislative proposal.

The Congress, as I said before, leans heavily upon its committees for legislative guidance. Each bill introduced is referred to an appropriate committee for consideration. The committee in turn assigns to its staff the task of preparing the bill for hearing. This includes analysis of the bill and development and assembly of facts in support of the proposed legislation as well as those likely to be used in opposition. The staff may well help suggest questions which committee members may wish to raise during hearings on the bill. On occasion they may themselves question the witnesses. Following the hearings, the staff has the assignment of helping to prepare the report on the bill (sometimes a minority as well as a majority report).

It is essential that the trade association establish a position of confidence with the Congress. One way this can be done is through a record of having supplied reliable information as a matter of course.

From an authoritative source in the Congress comes the warning that those who rush to the Hill only in times of crisis to extinguish fires carry little weight with members of Congress. Development of an official relationship over a period of time is far more effective. This requires contact with the official family on the Hill on occasions when no specific legislative boon is sought. Even in the busy halls of Congress, there are many who like to meet people who have no particular favor to ask, for so many congressional visitors ask for something.

As to relations with members of Congress themselves, it is far more advisable to combine the trade association representative's visits with those of constituents of the member of Congress who are members of the trade association. There is a natural tendency for a member of Congress to pay prime attention to those eligible to vote for or against him.

It is not necessary that these visits from constituents occur often. Many

CAREFUL PLANNING

can help make
it your best
vacation



Dear Credit Union Member:

You'll enjoy your auto trip more if you heed these travel tips:

- Check your route carefully with your local automobile club, or with one of the oil company travel bureaus. Be sure you have up-to-date road maps.
- Before you leave, get a final check on lights, brakes, tires, battery and oil.
- Make sure that the jack and other tools are in the car, along with some flares or a flashing red light, car fuses, a flashlight, fresh batteries, and a spare bulb.
- Take along a first aid kit and manual. Be sure the kit contains the items you'll most likely need.
- Avoid setting up a driving schedule which means long hours on the road. Make motel and hotel reservations as far ahead of time as possible.
- Drive carefully. Remember that there are more auto accidents in the summer. Do you have these insurance coverages?

Property damage (up to \$10,000)

Bodily injury (at least \$25,000 - \$50,000)

Collision (\$100 deductible)

Comprehensive

Medical payments (don't overlook this valuable protection!)

Uninsured motorists

Labor and towing

- Include your credit union in your vacation plans, whether it's a loan for sports equipment, or merely friendly advice on how to get the most for your money.



CUNA AUTO INSURANCE PROGRAM

believe it more effectual, once the association of interest is created in the mind of the legislator, to save the combined visit of constituent and trade association representative for those important occasions when it is particularly desired to impress upon the legislator the trade association's view on a given legislative or administrative problem. At such a time, it is desirable to supplement this technique with well-considered letters from constituents.

As a general matter, it is advisable to confine the presentation of written views to a concise statement presenting the association's view in understandable language. If the subject matter does not lend itself to concise treatment for an adequate expression of the problem and proposed solution, at least a brief summary of highlights should be prepared to accompany the more lengthy explanation. Busy people, including members of Congress, are more apt to give prompt

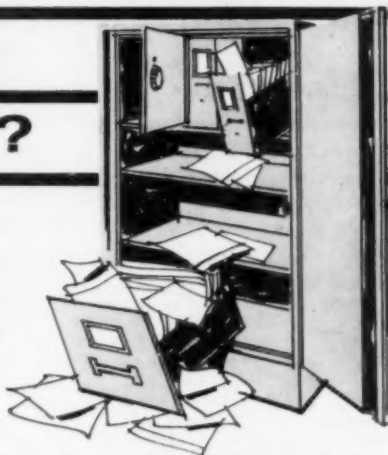
attention to a short document than to a lengthy one.

Although the majority political party in control of a house of the Congress at any given time may have the necessary number of votes to pass or defeat any particular bill, it is wise to maintain informative relations with the minority party.

Often groups become so enthusiastic about their own proposals that they fail to recognize or anticipate legitimate objections to their specific legislative requests. It is extremely important that you realistically and objectively assess the contents of the legislation you desire.

how well is your credit union protected against burglary?

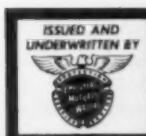
What protection does your credit union have after the office is locked for the night? It may be an "easy touch" for some burglar if you aren't providing necessary safeguards. Here are some practical suggestions:



- ★ Be sure everything is locked up before you leave. Install a good safe and anchor it, if possible. Use locked file cabinets and other similar equipment to protect money and valuable papers that must be kept in the office.
- ★ Restrictively endorse or stamp all checks "for deposit only" as soon as they are received, and keep a list of them in a secure place, separate from the actual checks.
- ★ Make a practice of depositing money in the bank at regular intervals, and in compliance with the rules of your credit union.
- ★ Consult your law enforcement agency for assistance and advice on your local situation.

Your credit union can secure bond coverage with a maximum limit equal to the total assets of the credit union, not in excess of \$1,000,000 (or \$2,000,000 optional bond coverage if total assets are \$1,000,001 or more). Compare this with your present bonding protection, and request complete details now.

WRITE FOR 576 BONDING FOLDER



CUNA Insurance Services
BONDING

MADISON, WISCONSIN • HAMILTON, ONTARIO

PICKING UP THE PIECES

(Continued from page 2)

date of the plan, the board of directors of the Credit Union shall require an annual audit of the credit union by certified public accountants and a copy of such audit shall be forwarded to the Department.

MEMBERSHIP MEETINGS

(Continued from page 5)

brick building into three rooms: a member lobby, an office and a posting room. A glass panel separates the counter from the office area. And a complete double plywood wall allows full privacy for the posting room operations. The company donates both the space and utilities to the credit union.

But the group's continued expansion outgrew this guardhouse in a few months. Rock Hill is now planning to move this summer into a new building which is three times as large as its present quarters. "Our new building will also be on company premises," says manager Hollis. "And it should meet our needs for some five years. Once we have outgrown it, we hope to build a permanent office which will meet our anticipated needs for the next twenty years."

Operational—Rock Hill's con-

gested quarters make it very difficult for its three full-time staff members to maintain normal office operations while waiting on members. To avoid the danger of a bookkeeping backlog, Rock Hill has rearranged its office hours. It now keeps its doors locked on Thursdays. "The members readily adjusted to this arrangement," observes president Wolfe. "Our records must be current, but it would be unfair to expect our staff to do their paper work at night and during weekends."

Services — This South Carolina group has grown so rapidly that it has not had the time to give sufficient attention to member counseling. But it plans to provide this service soon. "Setting up a counseling program is high on our list of scheduled activities," reports Mrs. Hollis. "We hope to begin counseling early this fall when our new building is ready for use."

A typical example of Rock Hill's many loan consolidations is the case of Bill M., a middle aged stock handler. Bill owed a total of \$865.15 to seven creditors. Here is a list of Bill's original obligations:

Amount	Creditor	Reason for Debt	Weekly Payments Contracted
\$129.15	local loan company	furniture	\$ 6.00
\$463.00	another local loan company	furniture	\$15.00
\$124.50	appliance dealer	stove	\$ 4.00
\$239.00	another appliance dealer	TV & refrigerator	\$ 4.50
\$ 12.00	landlord	3 weeks' rent	\$ 4.00
\$ 52.00	local clothing store which held mortgage on Bill's property for this amount		no contract for payment
\$ 70.00	RHP&F FCU	clothing medical payments	\$ 7.00
Total weekly payments due to the seven creditors			\$40.50

But Bill's weekly gross earnings were only \$60. After deduction of \$4.10 for federal income tax, \$1.80 for social security, 72¢ for South Carolina income tax, and 75¢ for union dues, his uncommitted weekly income had shrunk to \$12.13.

Bill took his problem to Rock Hill when he found it impossible to meet the weekly expenses for three people with \$12.13. At that time the payments to his creditors were from three to sixteen weeks behind schedule and he was facing the loss of his property through foreclosure.

Here is how Rock Hill helped Bill M.: It contacted all outside creditors, verified the exact amounts owed, made a loan for the \$52 clothing debt,

and then used the title to the member's property as security for a loan to cover the full balance of his remaining indebtedness.

"We asked Mrs. M. to sit in on our counseling sessions," recalls manager Hollis. "And we explained to the couple that we wanted them to contact us in the event that they should need to make any purchases for which they could not pay out of current earnings. Then we arranged for weekly payroll deduction of \$7. Of this amount we apply \$6 to principal and interest and \$1 goes into Bill's share account."

Today Bill has reduced his loan balance to \$116 and his share account has grown to \$80—more than he has ever owned before. He frequently visits the credit union office to find out what progress he is making. He has not requested a single extension agreement, nor has he incurred any outside debts during the past thirty months.

Delinquencies

Delinquencies are not a serious problem at Rock Hill. They rarely exceed 1½ percent of the total loans outstanding. At the end of April, 1960,

communicate with its membership: (1) distributing leaflets and pamphlets with the company's payroll checks; (2) posting announcements on all thirty-six departmental bulletin boards; (3) providing material for articles in the employer's monthly newspaper four or more times during the year; and (4) encouraging word-of-mouth communication on credit union services and accomplishments.

"This word-of-mouth communication system works quite rapidly," explains June Hollis. "Our employees know each other exceptionally well because they have long seniority with the company. Newsworthy items are usually passed on from department to department in a matter of hours."

• League and chapter participation. Rock Hill participates in all South Carolina League events. It also encourages its directors, committeemen and staff to attend the League educational sessions in neighboring states.

The Rock Hill group also participates in all chapter events. It took an active part in organizing the chapter. Both president Wolfe and Frances Fischer, Rock Hill's second assistant treasurer, are members of the chapter's program planning committee. Frances Fischer is also currently serving her second year as League vice president.

• Management relations. The relationship between Rock Hill and its sponsoring employer is cordial. The credit union is grateful for management's wholehearted cooperation, and the company recognizes that it gains many advantages through the credit union's services.

Says W. H. Grier, president of Rock Hill Printing & Finishing Company: "Our credit union provides a valuable service not only for our employees but also for our company. Before we had our credit union, payroll advances and company loans created a substantial problem. They were disruptive, time-consuming and expensive. The credit union has done away with payroll advances, reduced the number of garnishments and helped our employees to become happier and more self-reliant. The small cost of providing payroll deduction and temporary quarters is more than compensated by the savings which we are making because our employees now have fewer money worries and can give their full attention to their work."

Communications

Rock Hill uses four methods to



"Arthur, I think I hear a roaring sound."
"I'm afraid I always breathe hard when I'm reading *The Bridge*."

You can breathe easily when all your directors and committee members have their own copies. It's a nice way to thank them for their service, and a good way to keep them interested.

BETTER AUDITS

(Continued from page 11)

recorded in the appropriate column with the letter "r."

Reports

After completing each quarterly audit, the committee's chairman fills in the required federal audit form (FCU 110) and prepares a written report for the board of directors. The latter report lists in detail the committee's findings, recommendations and exceptions. Both reports are made out in triplicate. One copy is sent by the committee to the regional representative of the Bureau of Federal Credit Unions. The second copy goes to the board of directors. The third

copy is retained in the committee's files.

Hialeah's president, Clifford L. Mandeville, believes that there is nothing in his group's auditing procedure that other credit unions could not repeat or improve. Says he, "There is no secret to our auditing system. All that is necessary to make it effective is to have an interested supervisory committee, a cooperative board and committees, and a treasurer-manager who understands that thorough audits imply no criticism but merely serve to confirm the soundness of the credit union's management."

MAILING PRACTICES

(Continued from page 15)

to a financial institution. The envelope and its address both say to the crook, "Take me!"

Postal employees are undoubtedly above average in dedication and trustworthiness. Nevertheless, the opportunity for an envelope to disappear during transmission through the mail is immense. The U. S. Post Office Department has little sympathy for patrons who put such temptation in the path of its employees.

Nobody knows how much money disappears in the mail; it may be less than skeptics assume. On the other hand, the amount of pilferage would undoubtedly increase if the time came when there was no inhibition against entrusting cash to the mail. For individuals who must send money by mail, the proper procedure is to use a personal check, a bank draft or a postal money order.

Cash can be safely mailed by registered mail. However, the costs run high: 50 cents for sums up to \$10; 75 cents for \$10 to \$100; and \$1 for \$100 to \$200.

Since the registered letter must be dispatched from a post office, it is no less convenient and substantially less expensive to use postal money orders: 15 cents for sums up to \$5; 20 cents for \$5 to \$10; and 30 cents for \$10

to \$100. A bank check or bank money order might be even cheaper.

Where a credit union finds itself with a sizeable number of people who mail from the same general area, it might be interested in experimenting with the "key man" system. Under this plan, the credit union designates a "key man" to make collections in person. He sends a single draft to the credit union office covering all the collections.

The "key man" method is used effectively by the Post Office Department's own credit union at departmental headquarters in Washington. "Key men" have been designated at a number of installations in nearby Virginia. They serve as collectors or field agents, making collections and relaying them to the central office.

The "key man" enters share payments in books held by credit union members, thus avoiding the need to relay these books to the office. For loan payments, however, where interest computations are necessary, he forwards the book to the office with the payments. Pass books are returned to him after the entries are made.

Where there is a "key man" operation, there is no need to transmit cash in the mail. The "key man" uses his own personal check, or he buys a bank draft. In some instances the

credit union may prefer to open a checking account which he can use to transmit his collections. In any event, his incidental expenses are absorbed by the credit union, usually by crediting them to his account.

In using first class mail, some problems are often overlooked. One of the great virtues of first class mail is the security which is guaranteed by the Post Office Department. Mail may not be opened under any circumstances; the penalties for tampering are stringent. Nevertheless, some reasonable care is necessary on occasion to take advantage of the privacy which the post office is willing to provide.

For example, a printed delinquency notice may show through light grades of envelope paper. Such a notice should be discreetly folded with the printing on the inside, or it might be enclosed in a special wrapper.

With some elementary ingenuity, a credit union can get first class privacy and service at bargain prices. For example, a double postcard is often used to confirm highly personal information for auditing purposes, without any embarrassing disclosure. The method used is to state the facts that need confirmation on the back of the outgoing card; the return card is stapled over it, shielding the information from view. The return card itself requires only a "yes" or "no", providing a satisfactory answer for the credit union without in any way divulging the nature of the inquiry. This system can be adapted to other purposes, including delinquency control.

On those unhappy occasions when a credit union needs to trace a skip, one of the first moves should be to try certified mail, with return receipt requested. For \$1.09 the post office will deliver the outgoing letter to the addressee personally, and send back a notice reporting the place where the delivery was made. Ingredients of this service are as follows:

Certified mail postage	---\$.20
Delivery to addressee only	.50
Return record	----- .35
Return postage	----- .04
	<hr/>
	\$1.09

Another post office service which can occasionally prove useful is the "receipt of mailing", which the local post office will provide for any first class letter for 5 cents extra. It is



BURROUGHS ELECTRONIC ACCOUNTING EQUIPMENT AT PACIFIC INTERMOUNTAIN EXPRESS EMPLOYEES' CREDIT UNION CUTS POSTING TIME 67%

The scene: Oakland, California's Pacific Intermountain Express Employees' Federal Credit Union. **The job:** Payroll deduction accounting for 2,700 members.



James L. Stroube

The equipment: Burroughs F-4224 Electronic Accounting Machine with Automatic Reader. **The results,** in the words of James L. Stroube, P-I-E Credit Union Manager: "Our Burroughs equipment has greatly automated our accounting operation. For instance, posting time, formerly 65 hours a week, is now down to an effortless 21 hours. Naturally this 67% time savings has brought expenses down accordingly. As an added bonus, our trial balancing is automatic, fast and 100% accurate."

Burroughs—TM

The P-I-E Credit Union is one of many which have been helped to new accounting efficiency by Burroughs office automation equipment. For details, action—and results—call our nearby branch now. Or write Burroughs Corporation, Detroit 32, Michigan.



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"NEW DIMENSIONS / in electronics and data processing systems"

Keeping Posted

ON CUNA SERVICES



The CUNA program and services are planned on the basis of consultation between League officers and staff, national board and committee members and CUNA staff. The basic purpose of the CUNA program is to support, supplement and strengthen League programs. Most CUNA services are available through League offices; some are available directly.

INSURANCE SERVICES

A loose-leaf bond manual for League managing directors and fieldmen has just been completed by staff in cooperation with the carrier. Purpose of the manual is to aid the Leagues' professional staff in understanding the bond as well as the operation and history of CUNA's bonding program. The manual describes in detail the various forms of bond coverage and defines the most frequently used bonding terms. Distribution of the manual will take place in sections during the next 12 months. (Stan Harris, director.)

PERSONNEL

The department has begun an evaluation study to determine the effectiveness of its program. (Cecil Reid, director.)

EDUCATION

Staff anticipates an enrollment of 225 students at this month's sessions of the CUNA School for Credit Union Personnel in Madison. Some 65 seniors hope to complete their 3-year course in 1960, making this the largest graduating class in the school's 7-year history. The department's new financial counseling specialist assumed his duties in June. He will be responsible for preparing a training program, developing counseling materials and maintaining contacts with other consumer agencies. (John Bigger, director.)

ADVERTISING AND PROMOTION

The department is completing the package of annual meeting materials which CUNA Supply will offer to credit unions for their 1961 meetings. Details will be announced by CUNA Supply. (Phil Davies, director.)

WORLD EXTENSION

Next month a staff member will teach credit unions at the ILO-FAO international seminar on cooperation in Copenhagen. The African program this fall will include visits to Ghana, Nigeria and Tanganyika. Recent staff work in the Far East is already resulting in the organization of credit unions in Japan, Viet Nam and Korea. The department is looking for a qualified credit unionist to represent it in the Far East. (Olaf Spetland, director.)

RESEARCH, ECONOMICS AND STATISTICS

A report for the Commission on Money and Credit is now in the final stages of preparation. (Walter Polner, director.)

ORGANIZATION

Staff has just completed a survey booklet with worksheets to enable Leagues to locate and list the eligible groups which are not served by credit unions. A new award system for organizers is under study. (Bob Dolan, director.)

EXECUTIVE

The executive offices of the Credit Union National Association are located in Madison, Wisconsin, and Hamilton, Ontario. Vance Austin is managing director, Orrin Shipe is assistant managing director and John Brady is comptroller, all in Madison. Bob Ingram is Canadian manager in Hamilton. The Washington office is under the direction of Hubert Rhodes.

convenient when there is need to show that a letter has been dispatched at a particular time, but it is not a substitute for certified mail.

Beyond its usefulness as an operating aid, postal service has become a main artery enabling financial institutions to get information and sales messages into the hands of people they want to reach.

Even at first class mail prices—4 cents per ounce—it can make sense to use the mail. For most promotional activity, however, it is just as effective to use moderately priced third class.

A recent Commerce Department study shows that finance, insurance and real estate firms may be spending as much as \$40 million a year for third class mail promotions alone. This would be about 12 percent of their total advertising activity.

Bulk third class can be used whenever an identical message is to be transmitted to a substantial number of people. It is particularly useful, for example, for soliciting new members or for notifying members that a credit union is "hungry" for funds. It effectively spreads the word about new services that the credit union is offering, and of course it can be used for routine announcements, such as the date and place of meetings or the monthly or quarterly statement.

In determining whether to use first class or third class, the credit union must consider the investment in an annual \$20 permit for third class, and the extra clerical costs inherent in the requirement that bulk third class must be delivered to the post office bundled by destination. Once a permit is obtained, however, the mailer pays only 2.5 cents per piece for the first two ounces (effective July 1, 1960) compared with 4 cents per ounce for first class mail.

Bulk third class has spots on its fair name because of the questionable practices of some who use it. Where it is sent out willynilly to uncited mailing lists, it is derisively labeled "junk mail". But it does not have to be like that.

Soundly planned mail advertising is confined to people who are likely to be prime prospects for the service or product, as, for example, the employees of a company are prime prospects for a mailing from their credit union.

Under such circumstances, a competently prepared mailing piece,

What about it?



Improper loans

During a recent examination of our credit union, our supervisory committee noted three cases in which loan applications and notes were not properly signed. We also found one instance in which the credit committee had made a loan for \$1,100 without listing any security on the note. Our limit for unsecured loans at that time was \$400.

Our treasurer and credit committee explained that these four loans were made to meet emergencies, that there had been every intent to comply with the requirements, but that they had forgotten to do so in the rush to help the members.

Several years ago, our supervisory authority's examiner noticed similar oversights in our books. He referred to these loans as "improper."

Is it proper to make such loans when the intent is clearly to help a member in need?

ANSWER:

No. It is never proper to make an improper loan. Credit unions are established by law. They operate under its authority. And they must obey it at all times.

But credit unions are created for just two purposes: To help members with their saving and borrowing needs. And the law's function is to make this possible, while giving maximum protection to the assets of the membership.

Here are four simple steps to avoid and reduce the problems created by improper loans: (1) Impress upon your treasurer, credit committee and members that each form serves an important purpose and should be filled in completely. (2) If your statutes permit, appoint a loan officer. More and more credit unions are doing this. They find that he can be of invaluable assistance in improving operational efficiency and preventing improper loans. (3) Set up a weekly schedule to look over your loan applications and notes. Both the treasurer and the

credit committee can share in this responsibility. In some groups, the supervisory committee also participates. (4) Arrange for monthly inspection of all notes by the full supervisory committee.

Comments a long-time supervisory committee chairman: "We have used several of these methods for years. They have saved us embarrassment. And they have improved the overall efficiency of our operation."

Board Meetings

I recently heard a credit union director state that regular monthly meetings of the board are wide open to anyone in the membership. Is this correct? Or may committeemen and members attend only upon invitation?—*Ontario*

Answer:

Most boards do not advertise their monthly meetings outside of their group's official family of directors and committeemen. They have full discretion to determine who may be present. But they generally welcome guests from the membership and visitors from other credit unions. The only exception to this practice is during the consideration of confidential matters such as individual delinquencies. Boards invariably ask all visitors and guests to leave when they begin these confidential discussions.

Director Training

I know that officer training and education are important. But just how important? And who should be charged with providing this training? The promotion and education committee? Or the board of directors?—*Ontario*

Answer:

It is impossible to over-emphasize the importance of director training and education. Without either, the board cannot function properly, cannot serve its membership efficiently,

and cannot fully participate in the benefits and progress of the organized credit union movement.

Responsibility for director training rests squarely with the board itself. It can delegate membership education to an education committee. It can delegate general promotion to a publicity committee. But nobody except the board itself can discharge the directors' responsibility for their own education.

Most chapters and leagues have active programs for director training and education. But, in addition, each credit union board can help itself through systematic self-education. Such a program should cover a review of the members' requests, complaints and long-range economic needs; a careful study of the by-laws; and a discussion of the group's policies and problems in the light of new information revealed through these educational sessions.

The time needed for this educational program will vary from group to group, depending upon the board's background, experience and composition. In most instances, this do-it-yourself education need not add more than thirty minutes to each board meeting. But the actual time spent will depend upon the nature and complexity of the subject under discussion.

To be of the greatest value, board education should be in charge of a director who is deeply interested in director training and is willing to spend the time necessary for careful preparation.

An inadequately prepared educational program wastes the directors' time, is ineffective and soon dies for lack of interest. But a carefully organized series of 15 to 45-minute sessions, can develop a new cohesiveness in the directors' thought and action, can inspire the board to work together toward broader and loftier goals and can pave the road toward significant improvements in the credit union's operational efficiency and services.

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which effectively presents useful information about the credit union or its services, may be as welcome as the news contained in the daily newspaper. Advertising aimed at the right group is just another form of news, and it is equally welcome.

One common misconception about bulk mail, however, is that it is an "inexpensive" medium. Recent studies by McKinsey & Company for the Post Office Department show the costs for this kind of advertising run a wide range, depending on the advertiser. Contrary to common assumptions, McKinsey found that a firm can often reach 20 times as many people for the same investment in magazine advertising as direct mail and even larger numbers through newspapers.

The decisive advantage of mail advertising comes not from cheapness but from "targeting". While the advertiser reaches fewer people, he focuses on a larger number of good prospects. In terms of "cost per sale", a well planned mail campaign proves profitable in relation to other information media, because sales run high as a percentage of the carefully selected group.

The McKinsey study explained that any discussion of mail advertising becomes difficult because there is no typical mail advertiser. Each prepares his mailing according to the purpose he has in mind. "Mailings, if simple, may cost as little as \$40 for every 1,000 pieces mailed," McKinsey found, "or, if complex, as much as \$300 to \$400 per 1,000 mailings, or even more in extreme cases.

"The direct mail advertiser deals with two chief variables," the McKinsey study pointed out, "the accuracy of his mailing list and the power of his mailing piece. These two factors govern the results he obtains, as measured by the rate of response or the percentage of replies to the total mailing."

McKinsey offered this insight into the workings of direct mail promotions: "In selecting direct mail as a medium (of which postage accounts for perhaps one-third of total costs), he acts on the assumption that he can obtain a favorable cost-per-sale ratio by skillful work on the list to which he mails and on the material that he sends. If he is successful, it is not because postal rates are low, but because he accurately reaches his potential market with a strong selling mailing piece."

PARISH GROUP

(Continued from page 19)

three main groups: newly appointed officers and their wives; those who had heard of credit unions and wished to avail themselves of the facility; those who were joiners by nature.

Today the average share of the 19 charter members at St. Rose is \$1,150; that of the first 100 members, \$923.89, compared to an average of \$463.07 for the overall membership and to that of the last 100 to join: \$305.60. The national average for parish credit union members in 1958 was \$230.

Forty-nine of the first 100 members have never availed themselves of the loan facilities at the credit union, while 66 of the last 100 have never borrowed. The implication is strong that a large percentage of the members at St. Rose are more interested in a good place to save than in a credit facility.

COMING EVENTS

July 7—**Prince Edward Island** Credit Union League annual meeting, Community Center, North Rustico.

September 9-10—**Wisconsin** Credit Union League annual meeting, Loraine Hotel, Madison.

September 15-17—**Florida** Credit Union League annual meeting, Deauville Hotel, Miami Beach.

October 28-29—**Kentucky** Credit Union League annual meetings, Sheraton-Seelbach Hotel, Louisville.

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WANTED: Manager for large growing federal government employees' credit union in Intermountain West. Please give complete resume of experience and qualifications in first letter. Write Box A-74, Credit Union Bridge, Madison, Wisconsin.

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